

STATE OF FLORIDA

COMMISSIONERS:  
BRAULIO L. BAEZ, CHAIRMAN  
J. TERRY DEASON  
LILA A. JABER  
RUDOLPH "RUDY" BRADLEY  
CHARLES M. DAVIDSON



TIMOTHY DEVLIN, DIRECTOR  
DIVISION OF ECONOMIC REGULATION  
(850) 413-6900

Public Service Commission

May 6, 2004

RECEIVED-FPSC  
MAY 10 AM 10:48  
COMMISSION  
CLERK

Martin S. Friedman  
Rose, Sundstrom & Bentley, LLP  
600 S. North Lake Blvd., Suite 160  
Altamonte Springs, FL 32701-6177

**Re: Dockets Nos. 030444-WS, Application by Bayside Utility Services, Inc., for Rate Increase in Bay County, Florida; 030445-SU, Application by Utilities, Inc. of Eagle Ridge for Rate Increase in Lee County, Florida; and 030446-SU, Application by Mid-County Services, Inc. for Rate Increase in Pinellas County, Florida**

Dear Mr. Friedman:

On March 11, 2004, staff submitted its first request for data relating to the above mentioned rate cases. Responses were received on April 13, 2004. With respect to accounting data, the requests were essentially identical, except where data pertaining to a specific utility was requested. Staff has reviewed the responses and we believe that a number of the responses do not adequately address the information requested.

In Data Request No. 1, staff asked for an explanation of why the utility believes that the use of customer equivalents (CE) is a more accurate method to allocate common costs than the use of equivalent residential connections (ERCs). The utility replied that CEs have been historically used by Utilities, Inc. (UI), and have been an approved methodology in the states in which UI operates. This reply is not responsive to staff's question.

CMP \_\_\_\_\_  
COM \_\_\_\_\_ In Data Request No. 2, staff asked for an explanation of why the utility determines CEs as of  
CTR \_\_\_\_\_ June 30 rather than year-end. The utility replied that companies acquired after June 30 have not been  
ECR \_\_\_\_\_ a part of Utilities, Inc. long enough to reap the benefits of the allocation process. This reply is not  
GCL \_\_\_\_\_ responsive to the question of why June 30 is used, rather than year-end. Further, the reply provides no  
information as to how UI determines how long a company should be part of Utilities, Inc. in order to  
be allocated costs. For example, why is 6 months enough, but 5 months not enough?

OPC \_\_\_\_\_  
MMS \_\_\_\_\_ In Data Request No. 6, staff asked for an explanation, in detail, of how UI's allocation method  
RCA \_\_\_\_\_ addresses adjustments of allocated billing and revenue costs in cases where such services are  
SCR \_\_\_\_\_ performed by another entity. UI's reply gave a description of the benefits received by such  
subsidaries from being a part of the UI group, but was not responsive to staff's question relating  
specifically to the allocation of billing and revenue costs.

SEC 1  
OTH \_\_\_\_\_

CAPITAL CIRCLE OFFICE CENTER • 2540 SHUMARD OAK BOULEVARD • TALLAHASSEE, FL 32399-0850

An Affirmative Action / Equal Opportunity Employer

PSC Website: <http://www.floridapsc.com>

Internet E-mail: [contact@psc.state.fl.us](mailto:contact@psc.state.fl.us)

DOCUMENT NUMBER 05408 MAY 10 2004  
FPSC-COMMISSION CLERK

Martin S. Friedman  
Page 2  
May 6, 2004

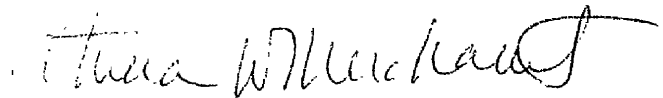
In Data Request No. 7, staff asked for an analysis of billing and customer accounting costs, by account number and description, for the test year. The utility replied that no such document exists. Staff did not ask that the utility provide an existing document, but rather that UI perform and provide an analysis. The utility's reply was not responsive to staff's request.

In Data Request No. 8, staff requested details of the calculations used to determine the number of CEs, by customer class, meter size and factor(s) applied. Staff also requested an explanation of any disagreement between the calculation and the Distribution of Expenses manual. In its reply for Eagle Ridge, the utility stated that Eagle Ridge had 2,792 wastewater customers, and that, because Eagle Ridge is a wastewater-only system, there is no multiplier and the number of CEs also equals 3,238. The discrepancy between the two numbers does not make sense. Further, neither number agrees with the number of customers reported in the utility's reply to Data Request No. 10. In its reply for Mid-County, the stated number of customers and CEs is 3,238, but this number does not agree with the number of customers reported in the reply to Data Request 10 for Mid-County. UI has not been responsive to staff's request for a calculation of CEs, based upon the number of customers.

In Data Request No. 9, staff asked for a calculation of ERCs for Utilities, Inc., the Florida subsidiaries, and for each subsidiary currently requesting a rate increase. The utility replied that the Commission order in the recent UIF rate case stated that UI was to begin stating its information in ERCs beginning December 31, 2003. This is not responsive to staff's request for ERC calculations for the test year. Staff needs this information in order to compare the results with the CE allocation method in order to determine whether to recommend that the CE method is reasonable for this case.

The utility has the burden of substantiating the reasonableness of costs used to justify a rate increase. In the absence of adequate documentation, staff may have no choice but to recommend disallowance or adjustment of unsubstantiated amounts. If the utility wishes to provide more adequate responses to the above-mentioned data requests, it should do so by May 21, 2004. If you have any questions, please contact me by phone at (850) 413-6918 or by e-mail at [pmerchan@psc.state.fl.us](mailto:pmerchan@psc.state.fl.us).

Sincerely,



Patricia W. Merchant  
Public Utilities Supervisor

PWM:jbk

cc: Division of Economic Regulation (Joyce, Kyle, Revell, Fletcher)  
Office of the General Counsel (Gervasi, Jaeger)  
Division of the Commission Clerk and Administrative Services